

**OSCEOLA COUNTY ECONOMIC  
DEVELOPMENT COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

## Table of Contents

	Page
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	9
Government-Wide Financial Statements:	9
Statement of Net Assets	10
Statement of Activities	11
Governmental Fund Financial Statements:	12
Balance Sheet	12
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14-15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	16
Fiduciary Fund Financial Statements:	17
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	17
Notes to Financial Statements	18-28
Required Supplementary Information:	29
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Modified Accrual Basis) – General Fund	30
Notes to Required Supplementary Information – Budgetary Reporting	31
Schedule of Funding Progress for the Retiree Health Plan	32
Other Supplementary Information:	33
Agency Funds:	34
Combining Schedule of Changes in Fiduciary Assets and Liabilities	34
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-37
Schedule of Findings	38-41
Staff	42

# **OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION**

## **OFFICIALS/MEMBERS**

**Fiscal Year Ending June 30, 2010**

Kevin Hertz	Chairperson	City of Ocheyedan
Jeff Loring	Vice-Chairman	City of Harris
Brian Mino	Secretary/Treasurer	City of Ashton
Lila Hatting	Board Member	City of Sibley
Jack Benz	Board Member	City of Melvin
Larry Pedley	Board Member	Osceola County
Kirk Grau	Executive Director	
Peggy Steinmetz	Administrative Assistant	

# **DE NOBLE & COMPANY PC**

Certified Public Accountants

## **MEMBERS**

111 S. Story Street  
Rock Rapids, IA 51246

American Institute - Certified Public Accountants  
Private Companies Practice Section  
Iowa Society - Certified Public Accountants

Phone : (712) 472-2549  
Fax : (712) 472-2540  
Email : ssdnrr@hickorytech.net

## **Independent Auditor's Report**

To the Officials/Members of the Osceola County Economic Development Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Osceola County Economic Development Commission, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Commission's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Osceola County Economic Development Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Osceola County Economic Development Commission at June 30, 2010, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011 on our consideration of the Osceola County Economic Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 8 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Osceola County Economic Development Commission's basic financial statements. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*De Noble & Company PC*

De Noble & Company PC  
Certified Public Accountants

June 30, 2011

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## **Osceola County Economic Development Commission**

### **Management's Discussion & Analysis**

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Osceola County Economic Development Commission (OCEDC) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the OCEDC's financial statements, which follow.

#### **2010 Financial Highlights**

- Revenues of the OCEDC's governmental activities increased 5.07%, or \$6,154, from fiscal year 2009 to fiscal year 2010. Charges for service increased \$6,583; operating grants, contributions, and restricted interest increased \$5,377; capital grants, contributions, and restricted interest decreased \$2,747, unrestricted investment earnings decreased \$2,559 and grants and contributions not restricted to specific purposes decreased \$500.
- Program expenses of the OCEDC's governmental activities increased 2.34%, or \$2,558, from fiscal year 2009 to fiscal year 2010. Administration and general expenses decreased \$1,013 and loan program expenses increased \$3,571.
- The OCEDC's net assets increased 2.10%, or \$15,965, from fiscal year 2009 to fiscal year 2010.

#### **Using this Annual Report**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the OCEDC's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the OCEDC as a whole and present an overall view of the OCEDC's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the OCEDC's operations in more detail than the government-wide statements by providing information about the funds. The remaining statements provide financial information about activities for which the OCEDC acts solely as an agent or custodian for the benefit of those outside of the OCEDC (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the OCEDC's General Fund budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

- Other Supplementary Information provides detailed information about the individual Agency Funds.

## **Reporting the OCEDC's Financial Activities**

### *Government-Wide Financial Statements*

One of the most important questions asked about the OCEDC's finances is "Is the OCEDC as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the OCEDC's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the OCEDC's net assets may serve as a useful indicator of whether the financial position of the OCEDC is improving or deteriorating.

The Statement of Activities presents information showing how the OCEDC's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The OCEDC's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include loan programs and administration and general. Member assessments and investment earnings finance most of these activities. The OCEDC has no business type activities.

### *Fund Financial Statements*

The OCEDC has two kinds of funds:

- 1) Governmental Funds account for the OCEDC's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the OCEDC's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the OCEDC's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the OCEDC's own programs. These fiduciary funds include Agency Funds that account for the City of Sibley Revolving Loan program, the Chatroom, the Community Foundation of Osceola County and the Hawkeye Point Foundation.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

#### **Net Assets of Governmental Activities**

	June 30, 2010	June 30, 2009
Current Assets	\$ 346,586	\$ 291,539
Notes Receivable	446,810	482,376
Capital Assets	3,226	4,352
Net OPEB Asset	523	0
Total Assets	<u>797,145</u>	<u>778,267</u>
Other Liabilities	<u>19,131</u>	<u>16,218</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	3,226	4,352
Restricted for Revolving Loan Purposes	759,042	751,965
Restricted for Spec Property Loan Purposes	17,098	17,039
Unrestricted	( 1,352)	( 11,307)
Total Net Assets	<u>\$ 778,014</u>	<u>\$ 762,049</u>

The net assets of the OCEDC increased by \$15,965. The largest portion of the OCEDC's net assets is restricted for revolving loan purposes. Restricted net assets represent resources that are subject to external restrictions on how they can be used. Net assets restricted for revolving loan purposes increased \$7,136 or 0.93% during the fiscal year ended June 30, 2010. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – increased \$9,955 or 88.04% during the fiscal year ended June 30, 2010.

#### **Changes in Net Assets of Governmental Activities**

	Year Ended June 30, 2010	Year Ended June 30, 2009
Program Revenues:		
Charges for Service	\$ 6,665	\$ 82
Operating Grants, Contributions, and Restricted Interest	101,187	95,810
Capital Grants, Contributions, and Restricted Interest	0	2,747



**General Revenues:**

Grants and Contributions Not Restricted to

Specific Purposes

0

500

Unrestricted Investment Earnings

19,771

22,330

Total Revenues

127,623

121,469

**Program Expenses:**

Loan Programs

4,379

808

Administration and General

107,279

108,292

Total Expenses

111,658

109,100

Change in Net Assets

15,965

12,369

Net Assets Beginning of Year

762,049

749,680

Net Assets End of Year

\$ 778,014

\$ 762,049

**Individual Major Fund Analysis**

As the OCEDC completed the year, the governmental funds reported a combined fund balance of \$777,549, an increase of \$15,365 above last year's total of \$762,184. The following are major reasons for the changes in individual fund balances during the fiscal year ended June 30, 2010.

- The General Fund had an increase in fund balance of \$8,695 during the fiscal year 2010. Revenues increased \$10,856 from the prior year mainly due to an increase in contributions received from its public entity members. Expenditures remained consistent when compared to the prior year. Additionally, the General Fund received a transfer from the Revolving Loan Fund of \$8,827 to be used for operating expenses.
- The Revolving Loan Fund showed an increase in fund balance in fiscal year 2010 of \$6,611 (from \$751,378 to \$757,989). Revolving Loan Fund revenues decreased by \$2,380 when compared to the prior year (interest income from banks dropped \$2,920). Expenditures increased from last fiscal year by \$1,989 primarily due to an increase in professional fees. The Revolving Loan Fund also transferred \$8,827 to the General Fund during fiscal year 2010.
- The Spec Property Loan Fund showed an increase in fund balance in fiscal year 2010 of \$59 which represents interest income earned on bank balances. There were no other transactions during the fiscal year ended June 30, 2010 in this fund.

**Budgetary Highlights**

The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The budget may be amended during the fiscal year with Board approval. During the fiscal year, there were no amendments to the General Fund budget. During the fiscal year ended June 30, 2010, actual revenues came in above the amount budgeted by \$1,565 (due mainly to the amount of administrative fees received) and actual expenditures came in below the amount budgeted by \$6,391.

### **Capital Assets**

At June 30, 2010, the OCEDC had \$10,357 invested in capital assets as follows:

	June 30, 2010	June 30, 2009
Furniture and Fixtures	\$ 4,015	\$ 4,015
Computer Equipment	5,677	5,677
Other Equipment	665	665
Total	\$ 10,357	\$ 10,357

There were no capital asset additions in fiscal year 2010.

The OCEDC had depreciation expense of \$1,126 in fiscal year 2010 and total accumulated depreciation of \$7,131 at June 30, 2010.

### **Long-Term Debt**

The OCEDC had no outstanding notes or bonds as of June 30, 2010. The only long-term debt transaction during the fiscal year ended June 30, 2010 was for compensated absences. Additional information about the OCEDC's compensated absences payable is presented in Note 8 to the financial statements.

### **Economic Factors**

The OCEDC is dependent on the economic health of the Osceola County, Iowa businesses that have been loaned money (the ability of these businesses to make payments on their notes).

### **Contacting the OCEDC's Financial Management**

This financial report is designed to provide the citizens of Osceola County, borrowers, and creditors with a general overview of the OCEDC's finances and to show the OCEDC's accountability for the money it receives. If you have any questions about this report or need additional information, contact Kirk Grau at 300 7<sup>th</sup> Street, Sibley, Iowa 51249 (phone number: 712-754-2523).

**Osceola County Economic Development Commission**

**Basic Financial Statements**

**Osceola County Economic Development Commission**  
**Statement of Net Assets**  
**June 30, 2010**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 159,845
Certificates of Deposit	183,991
Prepaid Expenses	716
Interest Receivable	2,034
Notes Receivable – Related Parties	125,621
Notes Receivable (Net of Allowance for Doubtful Accounts)	321,189
Capital Assets (Net of Accumulated Depreciation)	3,226
Net OPEB Asset	523
	<hr/>
<b>Total Assets</b>	797,145
	<hr/>
<b>Liabilities</b>	
Accounts Payable	6,851
Payroll and Benefits Payable	5,490
Deferred Revenue	252
Due to Agency Fund	2,200
Compensated Absences	4,338
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<b>Total Liabilities</b>	19,131
	<hr/>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,226
Restricted for:	
Revolving Loan Purposes	759,042
Spec Property Loan Purposes	17,098
Unrestricted	( 1,352)
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<b>Total Net Assets</b>	\$ 778,014
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See Notes to Financial Statements.

**Osceola County Economic Development Commission  
Statement of Activities  
Year Ended June 30, 2010**

	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental Activities:					
Loan Programs	\$ 4,379	729	0	0	( 3,650)
Administration & General	107,279	5,936	101,187	0	( 156)
Total	\$ 111,658	6,665	101,187	0	( 3,806)
<b>General Revenues:</b>					
Unrestricted Investment Earnings					19,771
Total General Revenues					19,771
<b>Change in Net Assets</b>					15,965
<b>Net Assets Beginning of Year</b>					762,049
<b>Net Assets End of Year</b>					\$ 778,014

See Notes to Financial Statements.

**Osceola County Economic Development Commission**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2010**

	Special Revenue			Total
	General Fund	Revolving Loan Fund	Spec Property Loan Fund	
<b>Assets</b>				
Cash	\$ 12,669	139,279	7,897	159,845
Certificates of Deposit	0	183,991	0	183,991
Due from General Fund	0	1,443	0	1,443
Prepaid Expenditures	716	0	0	716
Interest Receivable	0	2,034	0	2,034
Notes Receivable – Related Parties	0	116,421	9,200	125,621
Notes Receivable (Net of Allowance for Doubtful Accounts)	0	321,189	0	321,189
<b>Total Assets</b>	<b>\$ 13,385</b>	<b>764,357</b>	<b>17,097</b>	<b>794,839</b>
<b>Liabilities</b>				
Accounts Payable	\$ 3,737	3,114	0	6,851
Payroll and Benefits Payable	5,490	0	0	5,490
Due to Revolving Loan Fund	1,443	0	0	1,443
Due to Agency Fund	0	2,200	0	2,200
Deferred Revenue	252	1,054	0	1,306
<b>Total Liabilities</b>	<b>10,922</b>	<b>6,368</b>	<b>0</b>	<b>17,290</b>
<b>Fund Balances</b>				
Reserved for Notes Receivable	0	413,885	9,200	423,085
Unreserved, reported in:				
General Fund	2,463	0	0	2,463
Special Revenue Funds	0	344,104	7,897	352,001
<b>Total Fund Balances</b>	<b>2,463</b>	<b>757,989</b>	<b>17,097</b>	<b>777,549</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,385</b>	<b>764,357</b>	<b>17,097</b>	<b>794,839</b>

See Notes to Financial Statements.

**Osceola County Economic Development Commission  
Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Assets  
June 30, 2010**

<b>Total Governmental Fund Balances (page 12)</b>	\$	777,549
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***Amounts reported for governmental activities in the Statement of Net Assets  
are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$10,357 and the accumulated depreciation is \$7,131.		3,226
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Other long-term assets that produce revenues are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.		1,054
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The net OPEB asset is not available to pay current period expenditures and, therefore, is not reported in the governmental funds.		523
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Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		( 4,338)
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<b>Net Assets of Governmental Activities (page 10)</b>	\$	<u>778,014</u>
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See Notes to Financial Statements.

**Osceola County Economic Development Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	Special Revenue			
	General Fund	Revolving Loan Fund	Spec Property Loan Fund	Total
<b>Revenues:</b>				
Contributions from Public Entity Members (Related Parties)	\$ 101,187	0	0	101,187
Administration Fees	5,936	0	0	5,936
Interest Income - Banks	158	3,058	59	3,275
Interest Income - Notes	0	16,030	0	16,030
Loan Application and Documentation Fees	0	729	0	729
<b>Total Revenues</b>	<b>107,281</b>	<b>19,817</b>	<b>59</b>	<b>127,157</b>
<b>Expenditures:</b>				
Salaries	73,571	0	0	73,571
IPERS	4,870	0	0	4,870
Payroll Taxes	5,648	0	0	5,648
Employee Benefits	12,780	0	0	12,780
Workman's Compensation	740	0	0	740
Auto Allowance	2,000	0	0	2,000
Bond Insurance	433	0	0	433
Loan Fees and Expenses	0	1,142	0	1,142
Newspaper Publishings	183	0	0	183
Office Expense	688	0	0	688
Bank Service Charge	0	328	0	328
Postage	267	0	0	267
Professional Fees	3,600	2,909	0	6,509
Publications/Professional Dues	419	0	0	419
Special Projects	0	0	0	0
Tech and Website Management	294	0	0	294
Telephone	1,920	0	0	1,920
Travel and Meals	0	0	0	0
<b>Total Expenditures</b>	<b>107,413</b>	<b>4,379</b>	<b>0</b>	<b>111,792</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>( 132)</b>	<b>15,438</b>	<b>59</b>	<b>15,365</b>

See Notes to Financial Statements.



**Osceola County Economic Development Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2010**

	General Fund	Special Revenue		Total
		Revolving Loan Fund	Spec Property Loan Fund	
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	8,827	0	0	8,827
Operating Transfers Out	0	( 8,827)	0	( 8,827)
<b>Total Other Financing Sources (Uses)</b>	8,827	( 8,827)	0	0
<b>Net Change in Fund Balances</b>	8,695	6,611	59	15,365
<b>Fund Balances – Beginning of Year</b>	( 6,232)	751,378	17,038	762,184
<b>Fund Balances – End of Year</b>	\$ 2,463	757,989	17,097	777,549

**Osceola County Economic Development Commission  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2010**

**Net Change in Fund Balances – Total Governmental Funds (pages 14 – 15)** **\$ 15,365**

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Depreciation expense	(	1,126)
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Because some revenues will not be collected for several months after the Commission's year end, they are not considered available revenues and are deferred in the governmental funds. The resulting timing difference is as follows:

Note receivable interest	590	
Bank interest	( 124)	466

The change in the net OPEB asset is reported in the governmental activities but not in the governmental funds.

523

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	737	
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**Change in Net Assets of Governmental Activities (page 11)** **\$ 15,965**

See Notes to Financial Statements.

**Osceola County Economic Development Commission**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2010**

	City of Sibley Revolving Loan	ChatRoom	Community Foundation of Osceola County	Hawkeye Point Foundation	Total
<b>Assets</b>					
Cash	\$ 80,713	1,110	26,309	3,323	111,455
Interest Receivable	310	0	0	0	310
Due from Primary Government	0	0	2,200	0	2,200
Notes Receivable	157,724	0	0	0	157,724
<b>Total Assets</b>	<b>238,747</b>	<b>1,110</b>	<b>28,509</b>	<b>3,323</b>	<b>271,689</b>
<b>Liabilities</b>					
Accounts Payable	81	0	0	0	81
Due to Other Governments	238,666	0	0	0	238,666
Trusts Payable	0	1,110	28,509	3,323	32,942
<b>Total Liabilities</b>	<b>238,747</b>	<b>1,110</b>	<b>28,509</b>	<b>3,323</b>	<b>271,689</b>
<b>Net Assets</b>	<b>\$ 0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

See Notes to Financial Statements.

**Osceola County Economic Development Commission**  
**Notes to Financial Statements**  
**June 30, 2010**

1) Summary of Significant Accounting Policies

The Osceola County Economic Development Commission (OCEDC) was formed July 1, 1988, under an intergovernmental agreement pursuant to the Chapter 28E of the Code of Iowa as a separate entity for legal purposes. This agreement was made by and among the County of Osceola, Iowa, and the Cities of Ashton, Harris, Melvin, Ocheyedan, and Sibley, Iowa.

The governmental commission consists of a representative appointed by the Osceola County Board of Supervisors, and one representative appointed by each City Council of the following cities: Ashton, Harris, Melvin, Ocheyedan, and Sibley. Each representative has one vote.

Under the 28E agreement, each member shall be assessed annually and agrees to pay a share of the expenses of the operation of the OCEDC. These member contributions are a critical financial source for the OCEDC. During the fiscal year ended June 30, 2010, the total contributions from public entity members were as follows:

Osceola County	\$ 51,135
City of Ashton	2,521
City of Harris	618
City of Melvin	1,406
City of Ocheyedan	2,893
City of Sibley	42,614
	<hr/>
	\$ 101,187

The OCEDC's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the OCEDC has included all funds, organizations, agencies, boards, commissions, and authorities. The OCEDC has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the OCEDC are such that exclusion would cause the OCEDC's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the OCEDC to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the OCEDC. Criteria also can include an organization's fiscal dependency on the OCEDC or if it would be significantly misleading to exclude an organization because of its relationship with the OCEDC. The OCEDC has no component units which meet the Governmental Accounting Standards Board criteria in order to be included in OCEDC's reporting entity.

## B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all the nonfiduciary activities of the OCEDC. For the most part, the effect of interfund activity has been removed from these statements. OCEDC activities are supported by member contributions, interest received on loans from ultimate recipients, investment interest, loan application and documentation fees, and donations/grants.

The Statement of Net Assets presents the OCEDC's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The OCEDC reports the following major governmental funds:

The General Fund is the general operating fund of the OCEDC. All contributions agreed to by the different entities within the intergovernmental agreement and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures and fixed charges not paid from other funds.

### Special Revenue:

The Revolving Loan Fund is used to provide financial assistance to attract, retain, or expand business that would generate public gains and benefits within Osceola County. These funds are loaned out to businesses with a pay back period of not more than ten years. All interest earned stays within the fund.

The Spec Property Loan Fund is used to provide financial assistance to development corporations for new construction, purchase of existing commercial/retail property, acquisitions of land, and/or demolition or renovation of spec property within the Cities of Ashton, Harris, Melvin, Ocheyedun, and Sibley, Iowa. These funds are targeted toward properties which potentially generate public gains and benefits. Funds can be used for a 0% or low-interest loan which would be paid back to the pool when the property is sold. All interest earned stays in the fund.

Additionally, the OCEDC reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the OCEDC as an agent for non-profit organizations and other governmental units.

### C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions from public entity members are recognized as revenue in the year for which the amount is assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the OCEDC considers revenues to be available if they are collected within 60 days after year end.

To properly account for the notes receivable, the notes receivable are also shown on the OCEDC's Balance Sheet (Governmental Funds), even though some of the notes receivable balance is not considered to be a current asset. Although all the notes receivable balance is measurable, some of the notes receivable balance is not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within sixty days after the end of the fiscal year). The account, fund balances - reserved for notes receivable, represents the amount of the notes receivable and the resulting fund balance that is not available within the current period or soon enough thereafter to be used to pay liabilities of the current period (see Note 5 for notes receivable amounts).

Intergovernmental revenues (contributions from public entity members, grants, and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the OCEDC.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset

acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources, as applicable.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Certificates of Deposit – The OCEDC has its cash invested in interest bearing bank accounts and certificates of deposit located in banking institutions within Osceola County. The OCEDC also earns interest from direct notes receivable (See Note 5). The interest earned on the cash accounts, certificates of deposit and notes receivable is recorded and maintained in the appropriate funds.

Due from General Fund, Due from/to Agency Fund, Due to Revolving Loan Fund and Due from/to Primary Government – During the course of its operations, the OCEDC had transactions between the OCEDC's governmental funds and the agency funds, and had made deposits into or made payments out of the incorrect fund. To the extent that the deposits between bank accounts and certain transactions between the OCEDC's governmental funds and agency funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Prepaid Expenses/Expenditures – Prepaid expenses are recorded as expense/expenditure when utilized rather than when paid.

Capital Assets – Capital assets, which include equipment, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The OCEDC does not have Board approved capitalization or intangibles policies due to the minor amount of capital assets/intangibles maintained by the OCEDC. Capital assets of the OCEDC are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Computer Equipment	5 years
Furniture and Fixtures	10 years
Other Equipment	10 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of accrued interest receivable not collected within sixty days after year end and fiscal year 2010-2011 member assessments paid in advance.

Deferred revenue in the Statement of Net Assets consists of succeeding year contributions from public entity members received during the year which will not be recognized as revenue until the year for which it was assessed.

Compensated Absences – OCEDC employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned; retired or employment has terminated for another reason (which there was none). The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Trusts Payable – Trusts payable represents amounts due to others which are held in fiduciary capacities.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The OCEDC Board annually adopts a budget on the modified accrual basis for the General Fund. The budget may be amended during the year. During the year ended June 30, 2010, the General Fund budget was not exceeded for expenditures.

#### 2) Cash and Certificates of Deposit

The OCEDC's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The OCEDC is authorized by statute and the OCEDC's written investment policy to invest public funds in certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the OCEDC's Board.

The OCEDC has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.



3) Due from General Fund, Due from Primary Government, Due to Revolving Loan Fund, and Due to Agency Fund

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Revolving Loan Fund	General Fund	\$ 1,443
Agency Fund: Community Foundation of Osceola County	Special Revenue: Revolving Loan Fund	2,200
Total		<u>\$ 3,643</u>

The \$1,443 due to the Revolving Loan Fund from the General Fund is for Revolving Loan Fund revenue which was deposited into General Fund bank accounts by error. During the year ended June 30, 2007, the Community Foundation of Osceola County paid \$2,200 to the Revolving Loan Fund in error. This money is still owed to the Community Foundation of Osceola County as this balance has never been paid back as of June 30, 200

4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Revolving Loan Fund	<u>\$ 8,827</u>

The Revolving Loan Fund transferred \$8,827 to the General Fund during the fiscal year to be used for normal operations.

5) Notes Receivable, Notes Receivable – Agency Fund, and Notes Receivable – Related Parties

A. Revolving Loan Fund

The OCEDC'S mission of implementing economic development projects within Osceola County is being accomplished by the lending of monies for various economic development projects at a reasonable rate of interest.

The notes issued carry an interest rate from 3% to 4.5%. The terms of notes vary from three years to five years, with some extensions granted for hardships that meet certain criteria. The amount shown on the statement of net assets as of June 30, 2010 reflects the amount due on those notes receivable as of that date and is computed as follows:

Balance on June 30, 2009 (\$527,629 less \$54,453 in Allowance for Doubtful Accounts)	\$ 473,176
New Notes Issued	29,000
Payments on Principal	( 64,566)
Balance on June 30, 2010 (\$437,610 less \$0 in Allowance for Doubtful Accounts)	437,610
Less Portion Received by August 29, 2010	( 23,725)
Non-Current Notes Receivable	\$ 413,885

The following are the scheduled amounts of notes receivable principal (net of allowance for doubtful accounts) coming due for the fiscal years ending:

June 30, 2011	\$ 155,039
June 30, 2012	78,241
June 30, 2013	27,838
June 30, 2014	36,913
June 30, 2015	32,651
June 30, 2016 and After	106,928
	<u>\$ 437,610</u>

Loans are carried as notes receivable until deemed uncollectible. During fiscal year 2010, there was one note receivable formally written off for \$54,453. As of June 30, 2010, no allowance for doubtful accounts has been recorded.

During the year ended June 30, 2008, Osceola County (a member of the OCEDC; therefore, considered to be a related party) entered into a loan agreement with the OCEDC through the Revolving Loan Fund for \$140,000. This note is scheduled to be paid back quarterly based on a 25 year payback schedule with a balloon payment at the end of 10 years at a 4.5% interest rate. The balance as of June 30, 2010 on this note was \$116,421 and is included in the above totals. This amount is reported separately in the financial statements as notes receivable – related parties.

#### B. Spec Property Loan Fund

The notes issued through the Spec Property Loan Fund carry an interest rate of 0%. The terms of the notes run until the spec property is sold. Several of the notes receivable are with cities which are members of the OCEDC and are therefore considered to be with related parties. All notes receivable – related parties are considered non-current as of June 30, 2010.

#### C. City of Sibley Revolving Loan Fund

The amount shown on the Combining Statement of Fiduciary Assets and Liabilities as of June 30, 2010 reflects the amount due for notes receivable issued and outstanding as part of the City of Sibley Revolving Loan Fund. These notes carry interest rates of 4.5%.

The following are the scheduled amounts of notes receivable principal coming due for the fiscal years ending:

June 30, 2011	\$ 55,027
June 30, 2012	43,172
June 30, 2013	14,772
June 30, 2014	15,451
June 30, 2015	16,161
June 30, 2016 and After	13,141
	<u>\$ 157,724</u>

#### 6) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and Fixtures	\$ 4,015	0	0	4,015
Computer Equipment	5,677	0	0	5,677
Other Equipment	665	0	0	665
Total Capital Assets	10,357	0	0	10,357
Less Accumulated Depreciation	6,005	1,126	0	7,131
Governmental Activities Capital Assets, Net	\$ 4,352	1,126	0	3,226

Depreciation expense of \$1,126 was charged to the Administration & General program.

The OCEDC does not have any “intangible” capital assets as of June 30, 2010.

#### 7) Due to Other Governments

The OCEDC is acting as an agent for the City of Sibley’s revolving loan program. The amount due to the City of Sibley as of June 30, 2010 was \$238,666. This amount is reported in the City of Sibley Revolving Loan Fund.

#### 8) Changes in Compensated Absences (Long-Term Liability)

The only long-term liability during the year ended June 30, 2010 is for compensated absences. A summary of changes in compensated absences for the fiscal year ended June 30, 2010 is as follows:

	Compensated Absences
Balance – Beginning of Year	\$ 5,075
Increases	3,824
Decreases	( 4,561)
Balance – End of Year	<u>\$ 4,338</u>

## 9) Pension and Retirement Benefits

The OCEDC contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the OCEDC is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. The OCEDC's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$4,870, \$4,515 and \$4,139 respectively, equal to the required contributions for each year.

## 10) Other Postemployment Benefits (OPEB)

The OCEDC implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description The OCEDC operates a single-employer retiree benefit plan as a participant in the Osceola County health plan which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and 0 retired members participating in the County's plan for the OCEDC. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability (asset).

Funding Policy. The contribution requirements of plan members are established and may be amended by the OCEDC. The OCEDC currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The OCEDC's annual OPEB cost is calculated based on the annual required contribution (ARC) of the OCEDC, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The	Net OPEB obligation end of year	\$ ( 523)	following
table shows			the
components of	the OCEDC's annual OPEB cost for the year ended June 30, 2010, the amount		
actually	Annual required contribution	\$ 659	contributed to
the plan and	Interest on net OPEB obligation	0	changes in the
OCEDC's	Adjustment to annual required contribution	0	net OPEB
obligation:	Annual OPEB cost	659	
	Contributions made	( 1,182)	
	Decrease in net OPEB obligation	( 523)	
	Net OPEB obligation beginning of year	0	

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the OCEDC contributed \$1,182 to the medical plan. Plan members eligible for benefits did not make any contributions.

The OCEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 659	179.0%	\$ (523)

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability of the OCEDC was \$7,887, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,887. The OCEDC's covered payroll (annual payroll of active employees covered by the plan) was \$73,571 and the ratio of the UAAL to covered payroll was 10.72%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit with linear proration to decrement actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the OCEDC's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007. Termination rates were set based on the historical experience of the OCEDC.

Projected claim costs of the medical plan are \$9,820 annually for retirees. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### 10) Risk Management

The OCEDC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Surety bond and workers compensation related risks are covered by commercial insurance purchased from independent third parties. The OCEDC assumes liability for any deductibles and claims in excess of coverage limitations for surety bond and workers compensation related risks. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The OCEDC has not purchased any commercial insurance coverage and has not set aside any funds for the other possible risks of loss.

#### 11) Subsequent Events

In April 2011, the Revolving Loan Fund issued a note receivable for \$53,576. This loan has a 4.5% interest rate and is payable based on a ten year payback schedule with a balloon payment due after five years.

#### 12) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Osceola County Economic Development Commission**  
**Required Supplementary Information**

**Osceola County Economic Development Commission  
Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances–  
Budget and Actual (Modified Accrual Basis) – General Fund  
Required Supplementary Information  
Year Ended June 30, 2010**

	Budgeted Amounts		Final to
	Actual	Original	Actual Variance
<b>Revenues:</b>			
Contributions from Public Entity			
Members (Related Parties)	\$ 101,187	101,187	0
Administrative Fees	5,936	3,290	2,646
Grants and Contributions	0	500	( 500)
Interest Income – Banks	158	739	( 581)
<b>Total Revenues</b>	<b>107,281</b>	<b>105,716</b>	<b>1,565</b>
<b>Expenditures:</b>			
Salaries	73,571	73,231	( 340)
IPERS	4,870	4,870	0
Payroll Taxes	5,648	5,677	29
Employee Benefits	12,780	12,785	5
Workman's Compensation	740	867	127
Auto Allowance	2,000	2,400	400
Bond Insurance	433	434	1
Newspaper Publishings	183	0	( 183)
Office Expense	688	1,500	812
Postage	267	1,000	733
Professional Fees	3,600	5,540	1,940
Publications/Professional Dues	419	650	231
Special Projects	0	1,000	1,000
Tech and Website Management	294	1,500	1,206
Telephone	1,920	2,000	80
Travel and Meals	0	350	350
<b>Total Expenditures</b>	<b>107,413</b>	<b>113,804</b>	<b>6,391</b>
<b>Deficiency of Revenues Under Expenditures</b>	<b>( 132)</b>	<b>( 8,088)</b>	<b>7,956</b>
Other Financing Source (Transfer In)	8,827	8,088	739
<b>Excess of Revenues and Other Financing Source Over Expenditures</b>	<b>\$ 8,695</b>	<b>0</b>	<b>8,695</b>

See Accompanying Independent Auditor's Report.



**Osceola County Economic Development Commission**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2010**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41. for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund. The OCEDC's Board annually adopts a budget for the General Fund on the modified accrual basis. The General Fund budget may be amended during the fiscal year with Board approval. The OCEDC's Board is not required to and has chosen not to adopt a budget for the Special Revenue Funds (Revolving Loan Fund and Spec Property Loan Fund).

During the fiscal year, the OCEDC did not amend the General Fund budget.

During the year ended June 30, 2010, the Commission's expenditures did not exceed the amount budgeted in total.

**Osceola County Economic Development Commission**

**Schedule of Funding Progress for the Retiree Health Plan**

**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$ 0	7,887	7,887	0.00%	73,571	10.72%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Osceola County Economic Development Commission**

**Other Supplementary Information**

**Osceola County Economic Development Commission**  
**Combining Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2010**

	City of Sibley Revolving Loan	ChatRoom	Community Foundation of Osceola County	Hawkeye Point Foundation	Total
<b>Assets and Liabilities</b>					
Balances Beginning of Year	\$ 231,025	2,049	36,005	3,039	272,118
Additions:					
Grants and Contributions	0	0	36,815	4,655	41,470
Interest Income	7,838	0	0	3	7,841
Application and Documentation Fees	185	0	0	0	185
Miscellaneous/Trusts	0	0	0	1,216	1,216
Total Additions	8,023	0	36,815	5,874	50,712
Deductions:					
Agency Remittances:					
To Primary Government Funds	301	0	5,963	0	6,264
Trusts Paid Out	0	939	38,348	5,590	44,877
Total Deductions	301	939	44,311	5,590	51,141
Balances End of Year	\$ 238,747	1,110	28,509	3,323	271,689

See Accompanying Independent Auditor's Report.

**Osceola County Economic Development Commission**

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards***

# **DE NOBLE & COMPANY PC**

Certified Public Accountants

## **MEMBERS**

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## **Independent Auditor's Report on** **Internal Control over Financial Reporting and on Compliance and Other Matters** **Based on an Audit of Financial Statements Performed in Accordance with** **Government Auditing Standards**

To the Officials/Members of the Osceola County Economic Development Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Osceola County Economic Development Commission (OCEDC) as of and for the year ended June 30, 2010, which collectively comprise the OCEDC's basic financial statements listed in the table of contents, and have issued our report thereon dated June 30, 2011. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the OCEDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the OCEDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the OCEDC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the OCEDC's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the OCEDC's internal control described in the accompanying Schedule of Findings as items 10-A, C and D to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item 10-B to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OCEDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance or other matter that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the OCEDC's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the OCEDC. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The OCEDC's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the OCEDC's responses, we did not audit the OCEDC's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials/members and citizens of members of the Osceola County Economic Development Commission and other parties to whom the OCEDC may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the OCEDC during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*De Noble & Company PC*

De Noble & Company PC  
Certified Public Accountants

June 30, 2011

**Osceola County Economic Development Commission**  
**Schedule of Findings**  
**For The Fiscal Year Ended June 30, 2010**

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

10-A      Segregation of Duties – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from individual error or dishonesty and therefore maximizes the accuracy of the OCEDC's financial statements. We noted that generally the administrative assistant performs all recordkeeping functions and handles all cash. Financial duties are not rotated at any time during the year.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the OCEDC should review its operating procedures to obtain the maximum internal control possible under the circumstances. At a minimum, a member of the Board should review financial transactions, reconciliations and reports. Such reviews should be evidenced by initials or signature of the reviewers and the dates of the reviews.

Response – We will investigate this and attempt to segregate duties when possible by utilizing existing personnel and independent persons to provide additional control through review of financial transactions and reports.

Conclusion – Response accepted. It is important you attempt to implement this recommendation.

10-B      Payroll Issues – During our audit, we noted that the OCEDC's employees do not complete timesheets. Additionally, the timesheets should be signed/initialed by the employee's supervisor as indication that the time sheets/time cards have been formally approved.

Recommendation – The OCEDC should implement procedures for employees to track hours worked.

Response – All OCEDC employees are paid a set salaried amount and we do not feel a daily accounting of hours worked is necessary.

Conclusion – Response accepted. However, timesheets provide support for compensated absences taken and can be used by the Board as an analysis tool.



**Osceola County Economic Development Commission**  
**Schedule of Findings**  
**For The Fiscal Year Ended June 30, 2010**

- 10-C      Insurance Coverage – The OCEDC only carries commercial insurance for surety bond and workers compensation coverage. The OCEDC has not purchased any additional commercial insurance coverage (directors, liability, etc.) and has not set aside any funds for possible risks of loss the OCEDC is exposed to.
- Recommendation – The OCEDC needs to formally review its insurance coverage to ensure that the types and amounts of insurance coverages are adequate for current operations.
- Response – We have looked into options to obtain adequate coverage within a reasonable cost, and will continue to consider the potential liability exposure versus the high cost of coverage.
- Conclusion – Response accepted
- 10-D      Financial Reporting – During the audit, we identified material amounts of assets, liabilities, net assets/fund balances, revenues/receipts and expenses/expenditures and operating transfers not recorded properly in the OCEDC's financial statements. Adjustments were subsequently made by the OCEDC to properly include these amounts in the financial statements.
- Recommendation – The OCEDC should implement procedures to ensure all assets, liabilities, net assets/fund balances, revenues/receipts and expenses/expenditures and operating transfers are identified and included in the OCEDC's financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.
- Response – We will review our procedures to identify areas where we can improve on our financial records.
- Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Osceola County Economic Development Commission**  
**Schedule of Findings**  
**For The Fiscal Year Ended June 30, 2010**

**Other Findings Related to Required Statutory Reporting:**

- 10-1      Certified Budget – The OCEDC prepares a budget for the General Fund only. Expenditures during the year ended June 30, 2010 did not exceed the amount budgeted in total for the General Fund.
- 10-2      Questionable Expenditures – We did not note any expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 10-3      Travel Expense – No expenditures of OCEDC money for travel expenses of spouses of OCEDC officials or employees were noted.
- 10-4      Business Transactions – No business transactions between the OCEDC and OCEDC officials or employees were noted.
- 10-5      Bond Coverage – Surety bond coverage of OCEDC officials and employees is maintained. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 10-6      Board Minutes – During the year ended June 30, 2010, there were two transfers totaling \$8,827 from the Revolving Loan Fund into the General Fund which were not formally documented as being approved by the Board of Directors in the Board minutes. Additionally, per House File 808, the OCEDC is required provide minutes of board meetings to the newspaper to be published within twenty days following the meeting. We noted one instance where the minutes were not published.

Recommendations – The Board needs to approve all interfund transfers in the minutes prior to amounts being transferred. Further, the OCEDC should implement procedures to ensure that the minutes of all meetings are made available to the newspaper within twenty days of each meeting and properly published.

Response – In the future, the Board will approve in the Board minutes all interfund transfers by motion. Additionally, we will ensure all minutes are published in accordance with House File 808.

Conclusion – Response accepted.

**Osceola County Economic Development Commission  
Schedule of Findings  
For The Fiscal Year Ended June 30, 2010**

- 10-7      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the OCEDC's investment policy were noted.

Osceola County Economic Development Commission

Staff

This audit was performed by:

David De Noble, CPA, Senior Auditor  
Carmen Austin, CPA, Senior Auditor  
Cory Leman, Assistant Auditor  
Craig Hoekstra, Assistant Auditor

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Certified Public Accountants